An evaluation of the global market's influence on companies' success based on activity

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Abstract:
To demonstrate the impact of global market on business trends, current paper has utilized ANP-TOPSIS method to evaluate the qualitative and quantitative outcomes which are obtained from questioners and job experience by assessing 150 companies that belong to 10 different industries/services. Results present effective approaches based on business activity fields.

Keywords: Global market, Field of activity, ANP TOPSIS method

Introduction:
Globalization is one of the controversial issues of 21st century which has challenged the policy making in many countries worldwide. Intellectuals, politicians, economists and cultural custodians all over the world have been interested to evaluate the inevitable impact of globalization on different aspects of human life including political, economic, social as well as cultural behaviors. Presently, globalization is not just an economic phenomenon but also a social, political, cultural and technological event that needs the integration of all high goals in the fields of science, technology, culture and also commerce in order to utilize the potential opportunities for national growth as well as finding undiscoveredtalents.

Iran, a large strategic country in Middle-East, is dealing with both "Internal" and "External" challenges towards globalization which will be explained below.

Internal dimension is considered with performance indicators in the field of human resources, finance, structure and efficiency in public and private organizations. Then, the possibility of practical solutions by regarding the strengths and weaknesses of their effectiveness in global arena will be evaluated. On the other hand, External challenges must study all globalization's features such as economy, technology, politics and culture. For further study, there is a need to convert all the indicators of globalization into quantitative factors in order to be successful in current competitive world. Infact, today's successful organizations are those which are able to interact with their competitive environment by using appropriate strategies to overcome heavy competition.However, it may seem organizations those have strong relation with government are able to active in internal market effectively, up standard quality and professional services are the most crucial factors in global market which can cover any formal and informal relations with centers of power.

Many companies obtain a portion of their profit from the marketing and sales activities in the global market as a result of high opportunities' available. In other words, shortage of domestic market's potential in comparison to plenty opportunities in global market have convinced companies to set policies toward international market. As long as companies'tendency toward global market, organizations still prefer to invest in domestic market because of its safety and simplicity.In addition, there is no need to learn a foreign language, new culture as well as trading with foreign currencies. In the same way, dealing with international political insecurities and international rules are not necessary in local market. Consequently, domestic market is the main target market for most of the business but high taxes, reduction of Gross National Product (GNP) and also increase of job positions are convinced manufacturers to develop their businesses in global market. In this circumstance, producers strive to inter the global market to reach higher profit by rising its sale rate as long as keeping domestic market.

Now, the questionable aspect of globalization is the global market's influence on businesses. Field of activity is one of the vital factors in the impact of global market on firms' success as the importances of influential elements are specific in each area.

This paper will give a detailed description of globalization and the barriers in achieving it. Following thatin section four,12 influential proxies to evaluate the global market's impacts on business will bediscussed. Then, the most appropriate method for surveying those proxies will be presented. The next part will be assessed 150 companies which belong to 10 different industries/services to show the influence of global market on them. Results and the recommendations will be provided in the last section.

Globalization

"Globalization" is not a new word and it has always existed in English vocabulary, it was not a common word in literatures and business languages till the last decade. A revise on Webster, as one the reliabledictionary, and also other e-dictionary between 1987 to 1994 admit that there was only definition for " Global' or "Globally"rather which has a close meaning to the word "Globalization".

Human's knowledge of globalization totally depends on individual's perception of this phenomenon (Scholte 2005). Among the various definitions of globalization, some of explanations have characterized globalization based on current and also realized trends whereas other definitions are according to potential capacities which will be realized in future. In general term, globalization is defined as a producer of human connections' development beyond the national boundaries. Indeed, Globalization is seeking to eliminate the time zones barrier and geographical places limitation. By this is meant, any event should be transferred in the minimum time regardless of happening location. It also can be considered as a type of network society in the continued of capital movement which includes economy and culture zones (Scholte 2005). In other words, globalization is a universal movement toward democracy which will cover the cultural and economic diversity (Held, McGrow 2007).Although the international community formation is still in the basic levels of objective approval, it is possible to clarify theoretical features based on the potential capacities instead of current trends to shape the global community in near future. With respect to the previous explanations, business vision of globalization is markets' integration which requires freedom in transferring products, services, investment and human resources. In this way there is no foreigner in economy and all organizations have the equal value (Henderson 1999). After describing Globalization's concept, it is necessary to study the roots of globalization.

World Trade Organization

After the World War II, industrial countries established the General Agreement on Tariffs and Trade (GATT) to reduce the trade's restrictionsbetween participating countries by setting some business regulations. The World Trade Organization (WTO) also has followed the GATT's strategy toward free international trade which has commenced in 1995. It's the only international organization to supervise and liberalize international trade which is the main reference of international business language.WTO, the symbol of international economy, presents a structure for negotiations and shaping international trade agreements according the members' governments' policies.

The main objectives of WTO are summarized as elimination of international trade's barriers and economy improvement in participating countries. So, all the members are committed to liberalize international trade and break the restrictions regardless of political and also economic concerns.

On the other hand, WTO has awarded some specification for less developed countries to stabilize their economies as below:

- Granting import restrictions right to support domestic producers.
- Implementation policies to maintain the competition of domestic productions in global market such as export's subsidies. (WTO, 2013).

Approaches toward Globalization

Globalization, one of the debated issues of modern time, has been supported by some group of scientists as the one the best event while opponents have labeled it as neo- imperialism. Although there are many discussion associated with globalization, three visions are considered as themain approaches toward globalization.

First approach is Anti- Globalization which judges globalization unilaterally by focusing on negative aspects. This school believes environmental degradation, economic inequality and loss of job has been created by globalization. According to this vision, crossing borders and designing an integration system of international trade based on industrial countries' benefits is against national governance. Bankruptcy of national and/or small companies in host countries as a result of international companies' development is the other negative impacts of globalization.

The next approach has a positive vision towards Globalization. Its proponents believe that world has changed as a consequence of globalization. Integration of trade, technology, investment and economy is an opportunity for third world countries to break strict rules against free capital flows, travel, employment and education. Moreover, global competition has brought the access of high quality products, modern services and fair prices for people in all over the world (Kafashpour 1998).

Third vision believes in both negative and positive sides of globalization. However, third school's supporters could not accept globalization totally, they do not believe in localization as well. They introduce "Glocalism" as a new concept in international language which includes both localization and globalization simultaneously (Esmaili 2003).

Market's Entry Barriers

There is a need to study barriers to market entry in order to define global competition's indicators.

Market entry barriers include a number of various elements that restrict the ability of new competitors to enter and being operating in a specific industry.In other words, understanding the critical industry factors such as the strangeness of suppliers and also purchasers, existing competitors and nature of industry's competition are important to recognize the industry entry's barriers. Studying these barriers enable companies to enter the market with lower risk, compete effectively and make proper strategic decisions (Alexander, Dawson 2006). Above all, extra focus on target market as well as planning competition strategies just based on production, will caused a new barrier for other competitors to enter the market (Henderson 1999).However, understanding market entry's barriers are not simple as they are different in each industry and also changeable over time, Michael E. Porter, in 1980, indentified six significant sources of barriers to market entry as below:

1. Economies of scale is one of the crucial barriers when new entrants need low cost of product's unit along with high volume of production. So, whencurrent competitors in an industry havereached economies of scale, it acts as a barrier by forcing new businesses to either compete on a large scale or accept cost disadvantage to compete on small scale.
2. Customer loyalty would be another barrier which forces new entrances to present different products in order to survey by overcoming these loyalties.
3. Capital requirement is another type of barrier to market entry happens when new entrants are required toinvest large financial resources in order to compete in an industry especially in certain industries. Capital requirements cause a strong barrier for investing in risky fields.
4. Switching cost refers to a one-time cost that is incurred by a consumer as a consequence of switching from one supplier's product to another's because of differences in products' value.
5. Access to different distribution channels as new entrances require reliable logical networks which are not controlled by other competitors. In order to persuade distribution channels to accept a new product, new entrants must provide incentives in the form of price discounts, promotions, and cooperative advertising.
6. Government policies would limit or prevent new competitors from entering industries through which creates a strong barriers in front of them.

As far as market's entry barriers are considered, assessing the association between target business and original business is also crucial. Each barrier related to specific problem, so, negative correlation between target business and original business may cause another group of barriers. Once, the correlation got positive, original business incomes will support target business. To clarify above discussion, further explanation is helpful. As previously mentioned, new entrances requires high volume of production with lower cost. Therefore, if pricing policies are the same as original business strategies, target society's requirements for higher production's volume and lower cost will be operate effectively. There is two options to treat with these types of barriers as below:

1. If other competitors offer low prices, business has to reduce its prices or presents and exceptional product's feature to be different from usual market's products. By this is meant, competitive advantage is the only reason which persuades market to accept higher prices (Porter 1980).
2. Hierarchical management skills such as general management techniques and professional brand management, is the basic step to be successful in a global market.

Global Competitiveness Pillars

The Global Competitiveness Index (GCI) attempts to quantify the impact of a number of essential elements which contribute to make the situation for competitiveness with detailed consideration on macroeconomic environment, the state of countries institution and the quality of the country's technology as well as supporting infrastructure. Its methodology is, measuring the set of institution, factors and policies that determine the sustainable current and average level of economic welfare. The index is organized on 12 pillars which are categorized in three sub-indexes as efficiency enhancers, innovation and sophistication groups Figure 1 shows the GCI pillars (GCI 2013).

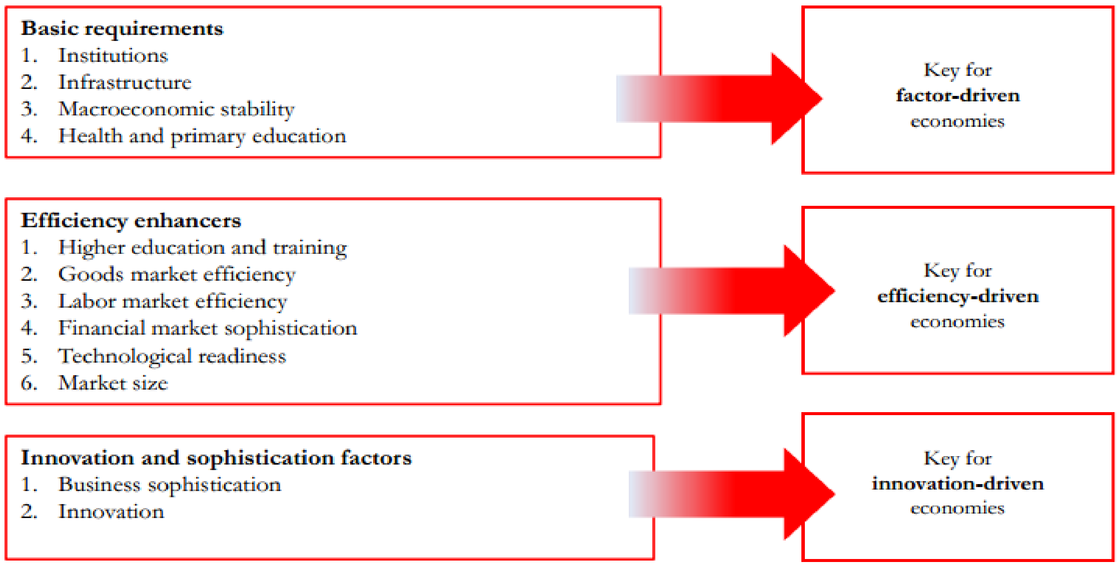

Figure1: Global Competiveness Pillars

Since 1979, World Economic Forum has published a yearly report, known as Global Competiveness Report (GCR), which presents an accurate picture of countries' economic environment and their success to achieve the stable level of welfare and growth (World Economic Forum 2012). GCR has introduced Switzerland in the first rank from 2009 to 2012 while Singapore, Sweden, Finland and United States are placed in the next top ranks among 139 countries in 2011-2012 ranking report (GCR 2012).

In comparison of doing business report which assesses regulations' impacts on small and medium-size companies, GCR is more reliable and detailed than a general business report which assesses the impact of small and medium sized companies. This is because it applies qualitative and quantitative methods to evaluate key indexes such as infrastructure, health and education. However GCR is one of the main sources for academic researches, it also has some weaknesses. It has only covered international organizations in few countries, i.e. 134 countries in 2008-2009 report, while doing a business report has been considered by different firms including small and medium size in a vast area. So, it is possible that small and medium size firms' perspective has not been assessed in GCR report. Table1 displays the structure of GCR in 2012.

Table1: Structure of Global Competitiveness Report 2012

PILLARS	Considerable Factors		
Institutions	**Public institutions**	-property rights -Adverse effect -Security	-Ethics and corruption -Lack of government effectiveness
	private institutions	-Corporate Ethics	-Responsibility
	Transport	-Quality of overall infrastructure -Quality of roads	-Quality of air transport infrastructure -Available airline seat

Infrastructure	**infrastructure**	-Quality of railroad infrastructure	kilometers -Quality of port infrastructure
	Electricity & telephony infrastructure	-Quality of electricity supply -Mobile subscriptions	-Fixed telephone lines
Macroeconomic Environment		-Government budget balance -Gross national savings -Inflation	-Government debt -Country credit rating
Health and Primary Education	**Health**	-Business impact of malaria -Malaria incidence -Business impact of tuberculosis	-Business impact of HIV/AIDS -HIV prevalence -Infant mortality -Life expectancy
	primary education	-Primary education enrollment	-Quality of primary education
Higher Education and training	**Quantity of education**	-Secondary education enrollment rate	-Tertiary education enrollment rate
	Quality of education	-Quality of the educational system -Quality of math and science education	-Quality of management schools -Internet access in schools
	On-the-job training	-Local availability of specialized research/training	-Extent of staff training
Goods Market Efficiency	**Domestic competition**	-Intensity of local competition -Extent of market dominance -Effectiveness of anti-monopoly policy -Extent and effect of taxation	-Total tax rate -Number of procedures required to start a business -Time required to start a business -Agricultural policy costs
	Foreign competition	-Prevalence of trade barriers -Trade tariffs -Prevalence of foreign ownership	-Business impact of rules on FDI -Burden of customs procedures -Imports as a percentage of GDP
	Quality of demand conditions	-Degree of customer orientation	-Buyer sophistication
Labor Market Efficiency	**Flexibility**	-Cooperation in labor-employer relations -Flexibility of wage determination	-Hiring and firing practices -Redundancy costs -Extent and effect of taxation
	Efficient use of talent	-Pay and productivity -Reliance on professional management	-Brain drain -Female participation in labor force
	Efficiency	-Availability of financial services -Affordability of	-Financing of local equity market -Ease of access to loans

Financial Market Development		financial services	-Venture capital availability
	Trustworthiness and confidence	-Soundness of banks -Regulation of exchanges' safety	-Legal rights index
Technological Readiness	**Technological adoption**	-Availability of latest technologies -FDI and technology transfer	-Firm-level technology absorption
	ICT use	-Internet users -Broadband Internet subscriptions -Internet bandwidth	-Mobile broadband subscriptions -Mobile telephone subscriptions
Market Size	**Local market size**	-Domestic market size index	
	Foreign market size	-Foreign market size index	
Business Sophistication		-Local supplier quantity -Local supplier quality -State of cluster development -Nature of competitive advantage -Value chain breadth -International distribution' control	-Production process sophistication -Extent of marketing -Willingness to delegate authority -Reliance on professional management
R&D Innovation		-Capacity for innovation -Quality of scientific research institutions -Company spending on R&D -University-industry collaboration in R&D	-Government procurement of advanced technology products -Availability of scientists and engineers -PCT patent applications intellectual property protection

Suggested Model

Current study has suggested a model according to the structure of partner's pyramid. Assortment procedure has become a linkage process which involves 5 steps as below:

Step 1: Identification of criteria to assess companies' global competitiveness
Step 2: Recognition of dependencies between different criteria
Step 3: Calculation of criteria's weight
Step 4: Evaluation of companies and their field of activities
Step 5: Negations with experts, analyzing causes and presenting solutions.

For further explanation on the suggested method, below figure shows the procedure.

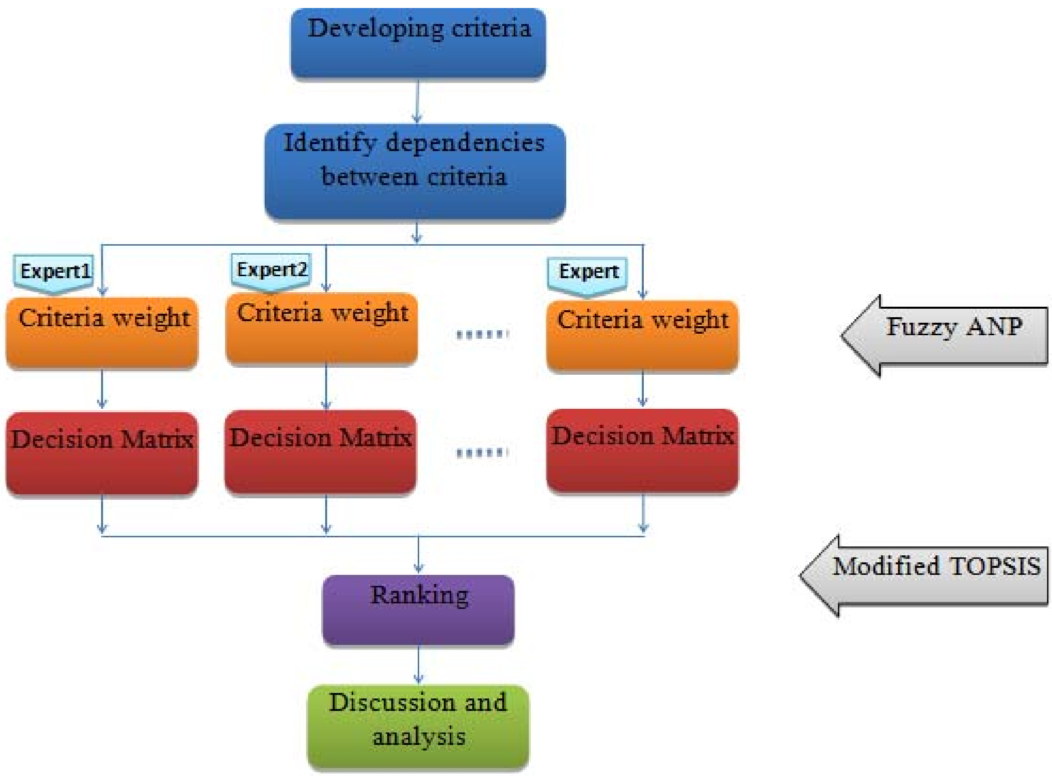

Figure 2: Five Steps of Suggested Method

This study has utilized 12 types of indicators including institutions, infrastructure, macroeconomic stability, health and basic education, higher level of education, product market efficiency, labor market efficiency, financial market sophistication, technology, market size, business sophistication as well as innovation to evaluate 150 companies in 10 different categories. Then, to study the dependencies between applied indicators, data has been collected through questioners and experts' idea feedbacks. Questioners' outcomes are gained in fuzzy language by converting linguistic variables into fuzzy number as it shows in table 2.

Table 2: Converting Linguistic Variable to Fuzzy Numbers Based on Questioners'' Outcome

Linguistic variable	**Fuzzy Number**	**Reverse fuzzy number**
Just equal	(1,1,1)	(1,1,1)
Equal important	(1/2,1,3/2)	(2/3,1,2)
Weakly more important	(1,3/2,2)	(1/2,2/3,1)
Strongly more important	(3/2,2,5/2)	(2/5,1/2,2/3)
Very Strongly more important	(2,5/2,3)	(1/3,2/5,1/2)
Absolutely more important	(5/2,3,7/2)	(2/7,1/3,2/5)

The procedure has been followed by identification of indicators' dependencies to each other. For each indicator, matrixes of pairwise comparison are created. These pairwise matrixes are necessary in order to determine relevant effect of indicators' dependencies. Normalized eigenvalues of these matrixes are calculated and shown as matrix B's column which is related to dependence of the weights. In that matrix, zeros are allocated for the weights of eigenvalue of indicators which have no dependencies (Alder, Friedman, Sinauny 2002).

Now, indicators' relative dependency would be calculated owe to incorporation of the last two steps' results. Incorporation means the application of interdependence coefficients matrix B( ) on the consequences of Fuzzy Analytical Hierarchy Process (AHP) (W). This incorporation is Fuzzy AHP as it shows in equation 1.

$$\omega_c = B.W \quad (1)$$

After obtaining the indicators' weights, adjusted TOPSIS method is utilized for ranking the results. Moreover, there is a need to limit the application of criteria and other possible options in order to present true and accurate solution for network analysis as well as AHP. Also, the number of pairwise comparisons, which are performed by decision makers and experts, should be less than a reasonable threshold. Sometimes, it is non-scene to use network analysis as a result of high number of potential companies. So, utilizing TOPSIS method as a ranking technique is useful to control the number of pairwise comparisons.

After taking the questionnaires' results, classifying experts' interview feedbacks, forming matrixes and conducting calculations, the FTOPSIS results has ranked all the considered activities as it shown in table 3. As it stated earlier, 150 companies from 10 different industries has been studied. In addition, every 15 firms with the same or very close activities are grouped in one special industry that lists in "Field of Activity" column.

Table 3: Dependency of global market and companies' field of activity

Field of Activity	$^{*}d_i$	d_i^{-}	cc_j	***Rank***
Food	*1.2458*	*1.8569*	*0.4015*	*1*
Textile	*1.5879*	*1.6489*	*0.4906*	*2*
Cement	*1.5954*	*1.6156*	*0.4969*	*3*
Pulp and Paper	*1.7234*	*1.6091*	*0.5171*	*4*
Home Appliance	*1.7667*	*1.5273*	*0.5363*	*5*
Automotive	*1.8347*	*1.5245*	*0.5462*	*6*
Mineral	*1.9121*	*1.5112*	*0.5586*	*7*
Pharmaceutical	*1.9346*	*1.4189*	*0.5769*	*8*
Base Metal	*2.0022*	*1.3679*	*0.5941*	*9*
Petroleum	*2.1137*	*1.3088*	*0.6176*	*10*

As the results table displays, Food industries have the lowest dependencies with global market as its requirements are mainly provided inside in Iran. The other notable reason is the uniqueness of Persian food culture. It is also crucial to mention that, machinery which applied in food industries are not included by this paper. Textile, Cement as well as Pulp and Paper are the next three industries which global market has not great impacts on them because of the availability of grasslands and pastureland sources beside high potential of cement supply inside the country .Home appliance and Automotive have higher dependencies. However, there are many domestic manufacturers; customers' tendency is toward foreign products with higher qualities. Moreover, luxury brands of automotive and home appliance always have their own fans regardless of their price. Mineral and pharmaceutical activities are ranked in seven and eight levels. Accessing different mines can fulfill the country's need and some parts of exportation. In pharmaceutical, the costs of domestic products are very high as a result of expensive raw materials. On the other hand, domestic medicines have a lower quality in comparison of foreign products. The last two industries are Base metal and Petroleum which have been affected dramatically by global market fluctuations, policies and trends. Both industries have a direct correlation with Gold and US dollar rate which are the bases of global market. Also, oil as geo politic product and base metal are including the main part of Iran's exportation

To summarize, those industries which located in the second half of the table should make their strategies and decision by considering the global market's trend accurately. Senior managers in those areas should follow, understand and evaluate every challenges and fluctuations in global market in order to achieve the success.

Finally it is also important to mention this paper has studied 150 Iranian companies but the suggested method can generate to all industries in all countries.

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